

Message Text

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C O R R E C T E D C O P Y P A R A 3 L I N E 2

E.O. 11652: N/A

TAGS: UN, AORG

SUBJECT: SAUDI ARABIAN REAL ESTATE AND SALES TAX PROPOSAL

REF: USUN 247, STATE 18960

1. GOVERNMENT OF CYPRUS LEVIES ANNUAL "IMMOVABLE PROPERTY CHARGE" ON ALL NON-DIPLOMATIC REAL ESTATE OWNERS. AMOUNT OF CHARGE, WHICH VARIES ACCORDING TO GEOGRAPHIC DISTRICT, IS REVIEWED AND CHANGED EACH YEAR BY GOVERNMENT. 1973. CHARGE WITHIN NICOSIA CITY LIMITS WAS 27 CYPRUS POUNDS PER THOUSAND POUNDS OF PROPERTY'S ASSESSED VALUE. IN ADDITION, SOME LOCAL MUNICIPAL "IMPROVEMENT BOARDS" LEVY ON LANDLORDS AN ANNUAL "RENTAL CHARGE" WHICH EQUALS A CERTAIN PERCENTAGE OF RENTAL RECEIVED FROM TENANTS. THIS "RENTAL CHARGE" HAS NOT BEEN ESTABLISHED IN CITY OF NICOSIA BUT EXISTS IN TWO NEARBY RESIDENTIAL MUNICIPALITIES WHERE MANY EMBASSY AMERICANS RENT HOUSES.

2. WITH BOTH "IMMOVABLE PROPERTY CHARGE" AND ANNUAL "RENTAL CHARGE" PAID BY LANDLORDS WHO RENT TO DIPLOMATIC MISSIONS OR TO THEIR DIPLOMATIC EMPLOYEES, THERE IS NO EXEMPTION OR REFUND TO EITHER LANDLORD OR TENANT. GOC ASSERTS THAT
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CHARGES ARE INTENDED FOR REAL ESTATE OWNERS, WHO ARE NOT

ENTITLED TO RELIEF SIMPLY BECAUSE THEY MIGHT RENT TO DIPLOMATS OR DIPLOMATIC MISSIONS. SINCE IT IS REASONABLE TO ASSUME THAT BOTH CHARGES ARE INCLUDED IN PROPERTY RENTALS BY PRUDENT LANDLORDS, WE BELIEVE SUCH CHARGES SHOULD BE CONSIDERED NON-REFUNDED "INDIRECT REAL ESTATE TAXES" AS INTENDED IN REFTEL.

3. DIPLOMATS AND DIPLOMATIC MISSIONS ARE EXEMPT FROM THESE CHARGES ONLY IF THEY OWN THE PROPERTY. USG OWNS SEVEN PIECES REAL PROPERTY IN CYPRUS. CHANCERY, RESIDENCE AND ALL BUT ONE OF APPROXIMATELY 230 EMPLOYEE HOUSES, HOWEVER, ARE LEASED BY USG OR INDIVIDUAL EMPLOYEES. THEREFORE, IN EFFECT, TAX SCHEME ENVISIONED BY BAROODY AS OUTLINED IN REFTEL DOES NOT EXIST IN CYPRUS.

4. THERE ARE NO SALES TAXES IN CYPRUS. HOWEVER, MOST ITEMS ARE IMPORTED HERE, AND DUTY AVERAGES 50 PERCENT. DIPLOMATIC LIST PERSONNEL MUST APPLY IN ADVANCE TO FOREIGN MINISTRY FOR EXEMPTION EACH TIME DUTY FREE PURCHASE PRIVILEGE IS EXERCISED. FOR GROCERIES AND OTHER ORDINARY COMMON RETAIL ITEMS, THIS PROCEDURE IS IMPRACTICAL AND, THEREFORE, THEORETICALLY EXEMPT DIPLOMATS ALWAYS PAY DUTY IN PURCHASE PRICE OF SUCH GOODS. (NON-DIPLOMATIC STAFF ARE NOT GRANTED EXEMPTION PRIVILEGES). THIS LACK OF WORKABLE DUTY FREE PURCHASE PROCEDURE FOR EVERY-DAY ITEMS COULD BE UNFAVORABLY CONTRASTED FOR REFTEL PURPOSES WITH USG ISSUANCE OF ID CARDS TO FOREIGN DIPLOMATIC PERSONNEL WHO CAN USE CARDS FOR SALES TAX EXEMPTION IN U.S. AT TIME OF PURCHASE.
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